Air Force Privatization Program Assessment

- Air Force Source Selection and Proposal Evaluation
- Lessons Learned
- Pre and Post Closing Issues
- Considerations for Change
- Chairman Knollenberg Meeting Feedback

Air Force Source Selection Process

- **Fair and impartial**
  - **Scope of requirements and project size locked in**
- **RFP's are comprehensive in content provide foundation to lay out total plan**
  - **Little latitude for deviation from basic requirements that compels Offerors to be very creative within dollar limits**

Air Force Proposal Evaluation Process

- Structured and easily understood

- Overall best value drives award
  - First stage evaluates proposal content against stated Factors: color coded: green – met factor
    blue – exceeded factor
  - Second stage compares proposals for overall best value, costs, scope and property management

- Privatization support contractors provide evaluation support
  - Inconsistencies of approach overcome by AFCEE oversight
  - Difficult task but done very well by AFCEE

Lessons Learned

- **Utilities**
  - **Infrastructure – Physical condition**
    - ➢ **Conveyance to Successful Offeror (SO) at closing demands earlier physical condition assessment**
    - ➢ **Subsequent conveyance to private utility provider could have serious cost impact**
    - ➢ **Electric and gas rate structure can make a huge difference in project scope**
- **EBS – Must be comprehensive, understandable and accepted by all parties well before closing**

Lessons Learned

- **Realistic transition phase (build out) schedule**
  - **Both sides acknowledge inevitability of some delays**
  - **Work together to ensure continuing success**
  - **Use a critical path not an individual event progress tracking**
  - **Too much initial enthusiasm (aggressive schedule) can lead to unrecoverable delays that create friction**

Lessons Learned

- **Rent roll and occupancy rates**
  - **One dependent on the other**
  - **Know true occupancy based on all units in inventory**

- **Project demographics**
  - **Must be realistic and HRMA validated**
  - **No remedy for shift towards lower grades**

- **Partnership for project success with mindset of a cooperative joint venture**

Pre and Post Closing Issues

- Open communication channels immediately upon notification as proposed SO

- Create a working team of housing, Base program management, residents, the SO and base leadership to ensure a smooth transition

- Validate projected/anticipated income
  - Rent roll matches project demographics and validated occupancy rates

Pre and Post Closing Issues

- Open maintenance work orders
  - Could increase dramatically as termination notices are given to current employees

- Start allotment processing and lease signing as early as possible

- All inclusive unit data base – make sure it includes entire inventory of conveyed units

Suggested Changes For Consideration

- **Taxation**
  - **Service should engage on behalf of the projec with local tax authorities**
  - **All saving derived from tax savings can and should go right into enhanced project scope – why leave it on the table**
  - **Safeguards as detailed in pro forma provided adequate assurances that the project benefit**
  - **There seems to be legislation to support this initiative**

Suggested Changes For Consideration

- **Utility Rates**
  - **As a minimum the Air Force should retain DoD rate structure through the transition phase**
  - **Result is a huge payback to the base and the families**
  - **Example: 7.5 – 12.5 =5.0 cents**
    Assume 20,000 KWH per unit
    Assume 1,500 units
    Assume 7 year transition period
    Equals $10.5 M
    Assume $35K difference before new construction and major renovations
    Air Force and our families get 300 more new units

Suggested Changes For Consideration

- **Modified 2-Step Process**
  - **"Quick select" award step 2 on basis of financial credentials, vision, PPE, and depth of qualification**
  - **Allows for a cooperatively built community development and property management plan**
  - **Allows for much more creative dialogue between developer and Air Force – eliminate risk of compromising a level playing field to get best product**

Suggested Changes For Consideration

- **Pursuit Costs Reimbursements**

  Realities: Proliferation of projects drives pursuit costs very high. At $500K plus per proposal and five or six projects open at one time can easily have over $3M at risk without a single project announced

  - **Can't stop bidding when we are successful step 2 participants on five or six projects**

  - **If Air Force wants to encourage top notch creative Developers to stay in process they need to find a way for reimbursement of at least a portion of proposal**

Meeting With Congressman Knollenberg

- **KEEN INTEREST AND CONCERN FOR FAMILIES WELFARE**

- **Knows private sector involvement derives huge benefits in revitalization of MFH.**

- **Aware of Different approaches by each service**

- **Also knows that developers favor one over another**

- **Always looking for ways to improve the process**

- **Possibly planning early Spring hearings to**

Conclusion

- **VERY PROUD TO PARTICIPATE**
- **GREATEST REWARD – Improving The Quali**
Of
Life For Our Military Families
- **LOOK FORWARD TO THE Q & A'S**